

Strategies for Accessing Hard-to-Reach Markets

Expanding Reach of Energy Efficient Lighting in the Grocery Channel

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Overview

1. Category Objectives

- Grocery Channel Insight
- CFL Category Objectives in Grocery
- Promotional Vehicles/Support

2. 2005 Activity Overview

- Wegmans Promotions
- Hannaford Bros. Activities

3. Results

Category Objectives

Compact Fluorescent Category in the Grocery Class of Trade

Room to Grow:

- The Grocery class of trade accounts for 12% of the entire consumer lighting market, yet it only accounts for 2.8% of total CFL sales*

Compact Fluorescent Lighting, the forgotten category:

- Historically CFLs have been '**slow movers**' with little impact on lighting aisle sales
- Focus has been on a mix of branded and private label **standard life incandescent products** – 'high movers'

Challenges:

- **High pricing** – CFLs are considered a premium product often too pricy for the grocery shopper
- Lighting aisle **space constraints** have limited the number of facings
- **Consumer perception** of the product – lack of knowledge/education

*Source: AC Nielsen POS and panel, Activant panel data 52 weeks ending Q1, 2005

Supporting the CFL Category in Grocery

Objectives:

- **Expand reach** of compact fluorescent category
- **Add value** to the lighting category in retailers that do not consider lighting category primary profit driver

Strategies:

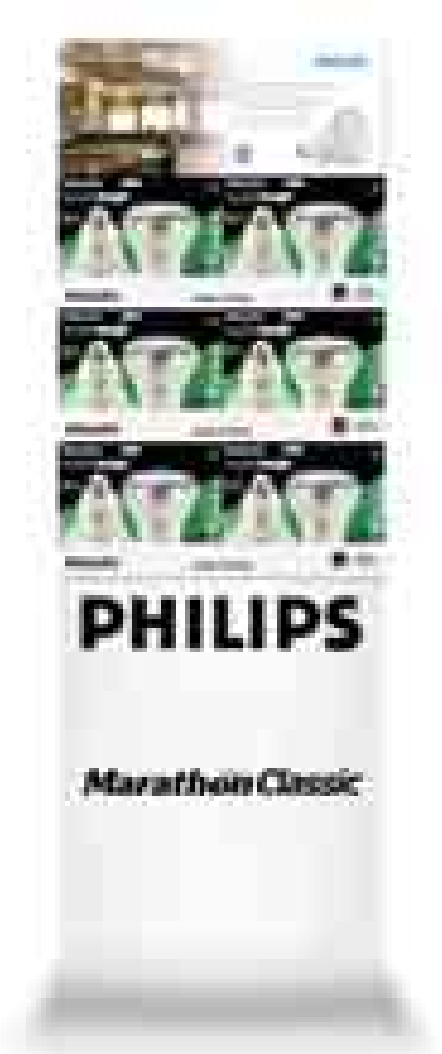
- **Create trial** of compact fluorescent lamps in Grocery class of trade through temporary price reductions and demonstrations
- **Increase presence** of compact fluorescent lamps in lighting aisle

Tactics:

- **Leverage available utility funding** together with manufacturer/retailer funded temporary price reductions to create trail
- **Create sustained category growth** through:
 - EDLP pricing strategy
 - Increasing the product assortment

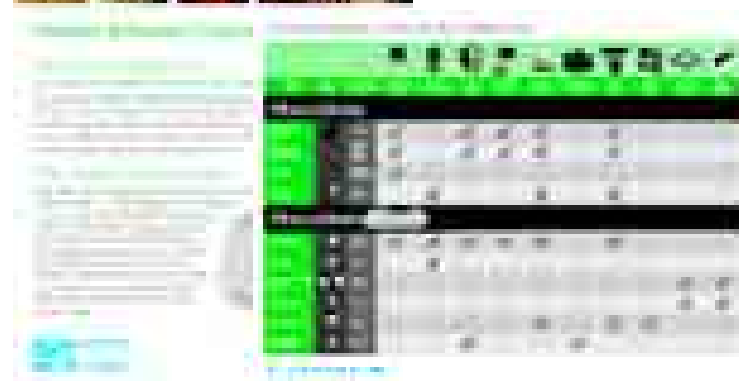
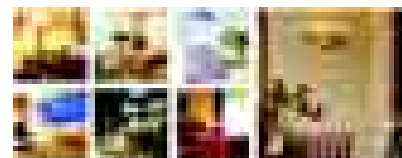
Promotional Product Offering

- Value Packs and Displays:
 - Allow for **secondary placement**
 - Add space for key **educational messaging**
 - Allow for **tracking** promotional skus



Promotional Support Vehicles

- Create **visibility** for the promotion
- Support **education** and communication of key product attributes



Additional In-Store Activities

- Secondary product placement:
 - Use endcap product placement to create excitement and additional visibility for the promotion

- In-store Demos:
 - Highly effective way to communicate key product attributes
 - Significantly increase trial of compact fluorescent lamps



2005 Activities

Philips/Wegmans 2005 Winter/Spring Campaign with NYSERDA

Timing: Early 2005

- Create interest in CFLs during lighting season

Product and Program Details

- On-shelf Marathon product portfolio found in New York state Wegmans locations
- Coop funded instant rebates

Philips Support

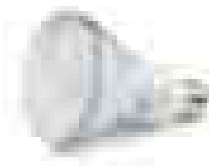
- NYSERDA rebate support shelf labels
- Promotional endcaps
- Advertising in Wegmans circulars
- Educational tear pads

Wegmans

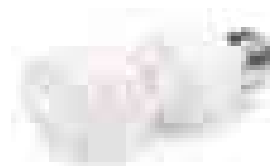
helping you make great meals easy



*Marathon 16W Mini
Household*



*Marathon 16W R30
Reflector Flood*



*Marathon 15, 20, 23W
Decorative Twisters*



Marathon 3-way

Philips/Wegmans 2005 Fall Promotion with NYSERDA

Timing: November/December 2005

- Correspond with national ENERGY STAR® 'Change a Light' campaign

Product/Promotion Details

- Coop funded instant rebates
- Off-Shelf Display of Marathon Mini Decorative Twister 3-count value packs

Philips Support

- Promotional Displays – Promo Riser
- Educational Tear Pads
- Advertising in circulars



Philips/Hannaford Bros. Fall Promotion with Efficiency Maine

Timing: Fall 2005

- Create interest in CFLs during lighting season
- Timing corresponded with national ENERGY STAR® 'Change a Light' campaign to maximize impact

Product and Program Details:

- Displays of 15W Marathon Mini Decorative Twister 3-count value packs
- Instant Rebates (Efficiency Maine + Hannaford/Philips)

Philips Support:

- In-store demos in 40 stores for 2 consecutive weekends
- Educational tear pads
- Advertising in Hannaford Bros. circular
- Product and Displays stickered with Efficiency Maine Logo



*Marathon 15W Mini Decorative
Twister 3-Pack*

Results

Parameters for Supporting the CFL Category in Grocery

Key steps to shifting consumers to CFLs in Grocery:

1. **Create trial** through promotion and incentives
2. **Brining pricing in-line** with rest of lighting category
 - Compare with rest of CFL category in Food
 - Compare with other channels (ie. MASS, Home Center, etc.)
 - Compare to other technologies; *high SRP = low conversion from incandescent bulbs*
3. Updating the **product offering**
 - Using effective category management
 - Keep competitive with with category in all classes of trade

NYSERDA Promotion Results

Wegmans first year campaign results:

- Impact during promotional period:
 - **Lift during promotional period** + 4127% in unit sales* vs. previous year
 - **Sustained growth** + 45% increase in unit sales vs. year-ago, 2 months after end of promotion (at the regular retail price)*
- Lighting category sales shift in upstate New York grocery:
 - **Total Market:** 2.6% CFL share of total lighting category sales*
 - **Philips together with Wegmans:** 4.1% CFL share of total Lighting category sales vs. 1.6% during same period in 2004*

*Source: AC Nielsen POS

Recap

Recap

- The Compact Fluorescent Category represents a tremendous **opportunity** in the Grocery Class of Trade for retailers, manufacturers as well as utilities seeking to reach new consumers
- Create a **sustained shift** through repeat purchase
 - Promote product that is available after the promotion ends
 - Bring pricing in-line with rest of category
- **Educate the consumers** to the benefits of using compact fluorescent lamps

Thank you!

